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SUBJECT: BEIJING-BASED G-5 CHIEFS OF MISSION ON EURO-RMB
IMBALANCE, MERKEL'S DALAI LAMA MEETING, CLIMATE CHANGE

Classified By: Classified by Deputy Chief of Mission Daniel Piccuta. R
easons 1.4 (b/d).

Summary

1. (C) At the September 28 bi-weekly G-5 Chiefs of Mission gathering, French DCM Nicholas Chapuis said that Chinese Premier Wen Jiabao told Chinese economic ministers to "work on" the current Euro-RMB currency imbalance after French Finance Minister Lagarde invited China's attention to it. German Ambassador Michael Schaefer predicted that, in retaliation for German PM Merkel's meeting with the Dalai Lama, China will cancel meetings on certain topics such as human rights. Chinese officials told both the British and German Embassies that China is moving toward accepting binding targets for carbon reduction. Upcoming high-level visits include the British Olympics Minister and London's Chief of Police to discuss Olympics security, the President and Foreign Minister of France, the French Minister of State for the Environment and Sustainable Development, and the British Home Office Minister of State for Borders and Immigration. End Summary.

Participants

2. (C) UK Ambassador William Ehrman, German Ambassador Dr. Michael Schaefer, Japanese DCM Kunio UMEDA, French DCM Nicholas Chapuis, and the DCM met September 28 for the bi-weekly G-5 gathering of Beijing-based Chiefs of Mission.

Euro-RMB Currency Imbalance "Problematic"

3. (C) The appreciation of the Euro against the RMB has become "really problematic," and, given that the Euro Zone is China's largest trading partner, French Finance Minister Christine Lagarde invited Chinese attention to the problem during her recent visit, reported French DCM Nicholas Chapuis. Premier Wen Jiabao responded by assuring Lagarde that the lack of currency equilibrium was not deliberate and by telling his economic ministers to "work on this" prior to French President Nicolas Sarkozy's visit on or about November 26.

French High-Level Visitors to China

4. (C) French Foreign Minister Bernard Kouchner is scheduled to visit China on November 1, but the date has not yet been finalized because of a potential conflict with the Shanghai

Cooperation Organization (SCO) ministerial meeting in Russia, which Premier Wen Jiabao and Foreign Minister Yang Jiechi will attend. President Sarkozy's emphasis on climate change is prompting a visit by French Minister of State for the Environment and Sustainable Development Jean-Louis Borloo on or about November 5-8. French Diplomatic Advisor to the President Jean-David Levitte will visit China on approximately November 8-10.

Fallout from Merkel's Dalai Lama Meeting

15. (C) German Ambassador Schaefer reported that China has expressed dissatisfaction with Merkel's Dalai Lama meeting, and that Chinese officials were unimpressed with Germany's argument that meeting the Dalai Lama as a religious leader and not as a "splittist" was in keeping with Germany's one China policy. Schaefer said this meeting will likely lead the Chinese government to cancel or postpone events and visits in which the Chinese have little interest, but will not affect other events. For example, Schaefer said the Governments of Germany and China will probably be unable to find a time that is "mutually convenient" for the Human Rights Committee of the German Bundestag to visit China.

Climate Change

16. (C) On climate change, Schaefer stated that Chinese Premier Wen Jiabao and President Hu Jintao told German Chancellor Angela Merkel that the concept of common but differentiated responsibilities won't preclude China from accepting limits, such as a per-capita carbon limit, that would eventually lead to binding targets for pollution reduction. UK Ambassador William Ehrman said that the Chinese had informed the British Embassy that they are "ready

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to accept the principle" of targets.

High-Level British Visitors

17. (C) British Ambassador William Ehrman reported that Simon McDonald, Head of Foreign and Defense Policy and Advisor to PM Gordon Brown, and Jon Cunliffe, Head of International Economic Affairs and G8 "Sherpa," recently held a strategic dialogue in China with Vice Foreign Minister Zhang Yesui and Executive Vice Foreign Minister Dai Bingguo. British Home Office Minister of State for Borders and Immigration Liam Byrne will visit China at the end of October to negotiate a migration agreement with China, as China is the top source of illegal immigrants in Britain. British Olympics Minister Tessa Jowell and Commissioner of Police of the Metropolis Sir Ian Blair will be visiting China at the end of October to discuss Olympics Security.

Japan: New Prime Minister, East China Sea Talks

18. (C) Japanese DCM Kunio Umeda reported that China has responded favorably to new Japanese Prime Minister Yasuo Fukuda especially because of Fukuda's statements that he will not visit the Yasukuni Shrine. The PRC has invited Fukuda to visit in late 2007 or early 2008, in advance of Chinese President Hu Jintao's visit to Japan in the spring. The Japanese will hold Director General-level talks with China on joint exploration in the East China Sea October 11, but are not confident of making any progress.
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